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Committee on Railway
Mail Pay

A reply by the railroads to
the statement of the...

[New York?]

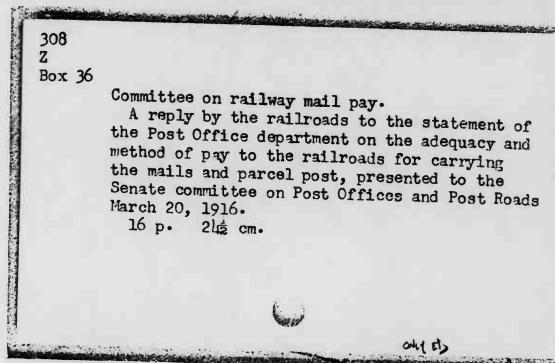
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A Reply by the Railroads

to the Statement of The Post Office Department

on the Adequacy
and Method of Pay
to the Railroads
for Carrying the
Mails and Parcel Post

Presented to the Senate Com-
mittee on Post Offices and Post
Roads March 20, 1916.

Committee on Railway Mail Pay

75 Church Street, New York City

□ □

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2-1-2-2-2-2
S HORTLY before the hearings granted to the Railroads on January 24th, 25th and 26th, 1916, by the House of Representatives Post Office Committee, the Post Office Department issued a pamphlet defending the Moon Railway Mail Pay bill and the so-called "space plan" of pay for mail transportation.

The Department also endeavored, in its pamphlet, to justify the attempt to obtain enactment of the Moon bill by making it a "rider" on the Post Office appropriation bill.

The Department's defense throughout was based upon a series of assertions, unaccompanied by proof.

A careful examination of these assertions, the Railroads believe, will show that they are not sustained by fact.

* * * *

In the following pages, the principal claims and assertions made by the Department are reprinted. The actual facts bearing upon the same are stated in parallel columns, in the form of answers.

This has been done chiefly for the information of the Senate Post Office Committee, but also in order that all interested persons may judge for themselves of the adequacy or inadequacy of the Department's defense of the Moon bill, the "space plan" of pay for carrying the mails and the resort to "rider" legislation.

* * * *

For convenience, the Department's claims have been grouped under appropriate heads. Page numbers are also given indicating where the various extracts may be found in the Department's pamphlet.

I

The Attempt of the Post Office Department to Represent the "Space Plan" of Pay for Mail Transportation as Being More Scientific than the Weight-and-Distance Basis

WHAT THE DEPARTMENT SAYS

In addition to the pay for weights [of mail actually carried] the present law authorizes additional pay for railway post office cars, 40 feet and more in length, at specified rates. This constitutes partial recognition of the space principle as a proper factor in making mail transportation rates. (Page 2.)

THE ANSWER

This **ADDITIONAL** pay for railway post office cars constitutes recognition simply of the fact that **IN ADDITION TO CARRYING THE MAI**LS, the railroads are required to furnish the Department special facilities for conducting post office work—that is, sorting the mails—in moving trains.

Why should not those special facilities be paid for when demanded, and in what manner can payment for them relieve the Department of payment for the principal service, **WHICH IS THE ACTUAL CARRYING OF THE POUNDS OR TONS OF MAIL SHIPPED?**

The anomaly and injustice of the present law is that it provides pay for such traveling post offices only when occupying full cars of the length of 40 feet or more. The railroads are compelled to furnish the Department with about 4300 apartment car post offices, less than 40 feet long, which are not paid for at all.

WHAT THE DEPARTMENT SAYS

The weighings [of the mails] are costly and annoying, and interfere seriously with the operation of the service in the field. (Page 2.)

THE ANSWER

Only because the Department's practice makes them so. The railroads believe that the cost of the weighings could be reduced 75 to 90 per cent., and all trouble to the Department practically eliminated. Congressman Lloyd's bill, now pending, H. R. 4812, provides such a remedy.

WHAT THE DEPARTMENT SAYS

Compensation thus determined [i. e., on the weight-and-distance basis] is not fairly distributed according to service rendered. (Page 2.)

THE ANSWER

This assertion cannot be sustained. Payment on the weight plan, that is, for the weight of mail carried and the distance it is transported, is, in the strictest possible sense, payment "according to service rendered," and if the plan were administered properly by the Department, that is, if the mails were weighed with sufficient frequency, it would with mathematical certainty result in the payments being "fairly distributed."

WHAT THE DEPARTMENT SAYS

The system [of payment on the weight-and-distance basis] lacks the elasticity to meet changing conditions and fluctuations of traffic, that, with the growth of the parcel post, have been frequent and far-reaching. (Page 2.)

THE ANSWER

Only because the Department refuses to weigh the mails oftener than once in four years to determine the weights of mail carried by the railroads and to be paid for by the Department.

WHAT THE DEPARTMENT SAYS

Computation of pay under the old law with its several amendments [i. e., under the weight-and-distance basis] is a complex process, little understood, and productive of endless and vexatious disputes. (Page 2.)

THE ANSWER

The principle—which is the ton-mile—is simplicity itself. The arithmetic, largely due to the Department's methods, is somewhat lengthy, but could easily be simplified.

WHAT THE DEPARTMENT SAYS

The whole plan [of payment for mail transportation by weight-and-distance] is unscientific, inequitable in results, and needlessly complex. (Page 2.)

THE ANSWER

It is the precise plan upon which the Department, itself, charges all shippers by parcel post.

It is the plan upon which the Interstate Commerce Commission regulates freight and express rates in this country.

It is the plan upon which freight rates everywhere are based.

THE ANSWER

The desirability of a revision of the laws governing railway mail pay has been recognized by postal administrations for many years. (Page 5.)

The railroads heartily concur. The laws and Departmental practices should, without further delay, be reformed to provide for annual weighings of the mails, pay for apartment post office cars and pay for or relief from the now gratuitous service, exacted from the railroads, of hauling the mails back and forth between post offices and railroad stations.

II

The Attempt to Make the Moon Bill and Its "Space Plan" of Pay for Mail Transportation Appear Fair to the Railroads

WHAT THE DEPARTMENT SAYS

The plan [of payment on the "space basis," specified in the Moon bill] provided for a scale of pay exceedingly liberal in the light of every factor that justly enters into the question of fixing reasonable compensation for carrying the mails, and assured the railroads a somewhat larger revenue per car-mile for carrying the mails than they are now receiving. (Page 6.)

THE ANSWER

THE MOON BILL'S PLAN DOES NOT ASSURE THE RAILROADS ANY DEFINITE REVENUE WHATEVER FOR MAIL TRANSPORTATION. On the contrary, it specifically provides that for every form of service which it enumerates, the Postmaster General "MAY" pay the railroads "NOT EXCEEDING" certain specified rates. Nowhere does it say that he MUST pay them anything.

Moreover, even the highest rates named in the bill, far from being "liberal," would result in serious injustice. For carrying a carload of parcel post, IN A PASSENGER TRAIN, these rates would yield a railroad less than 1½ cents per ton per mile; whereas the Interstate Commerce Commission allows, for carrying first-class freight IN FREIGHT TRAINS, ordinarily from two to seven cents per ton per mile, and much more in some sections of the country.

Nor would it be necessary for the Post Office Department to make carload shipments of parcel post in order to exact service from the railroads at unjustly low rates. Actual trial has shown that in the smallest unit of space the Moon bill would authorize—three linear feet in a baggage car—it is practicable to load sufficient parcel post or mail to bring the return to the railroad, at the Moon bill rates, down to 1½ cents per ton per mile, AND STILL LEAVE AMPLE AISLE ROOM IN THE CAR.

WHAT THE DEPARTMENT SAYS

Passenger Revenue Less 10 Per Cent. Is Basis of [the Moon bill] Rates. (Page 7.)

THE ANSWER

This is a "head-line" assertion in the Department's pamphlet that needs no elaboration. The Interstate Commerce Commission, in recent decisions, has held the passenger revenues of the railroads to be inadequate. Can it be fairly contended that the mail pay, per car-mile, should be made 10 per cent. lower still?

WHAT THE DEPARTMENT SAYS

The total mail pay upon the present basis, including both pay for weight and pay for space, for the fiscal year of 1915, was more than fifty-nine million dollars. The rates carried in the proposed law [the Moon bill] would have resulted in a payment for that year of about sixty-two million dollars, estimated on the basis of the service in operation. (Page 8.)

THE ANSWER

Chairman Moon, of the House of Representatives Post Office Committee, in advocating the bill, informed the House, on December 19, 1914, that its passage would "SAVE MANY MILLIONS ANNUALLY" out of the railroads' pay, because under its terms they could be compelled to CARRY ALL THE PARCEL POST "PROBABLY WITHOUT ANY ADDITIONAL COMPENSATION." In the same speech he said that the "saving" thus to be achieved would be \$8,000,000 per year.

As a matter of fact the discretionary powers which the Moon bill would vest in the Postmaster General would enable him to reduce the railroads' pay to any extent that he might desire, either by directly lowering the rates or by curtailing the frequency of despatch of the mails, or both.

A new amendment incorporated in the measure by the House of Representatives empowers the Postmaster General to RAISE the rates as well as lower them. As the Moon bill "rider" now stands, the rates named therein are totally devoid of binding force and the measure is simply a complete delegation of the rate-making power to the Postmaster General.

III

The Post Office Department's Excuse for Resorting to the "Rider" Method in Attempting to Force the Passage of the Moon Bill

WHAT THE DEPARTMENT SAYS

Because of the congestion of legislation during the short session [of the last Congress], it became apparent that the Moon bill could not be enacted, and, hence, the mail pay section of the Moon bill was incorporated in the annual post office appropriation bill. (Page 6.)

THE ANSWER

If the Moon bill was, and is, as obviously fair, just, scientific and in all respects meritorious as the Department contends, Congress would surely have no hesitation in enacting it as a separate measure.

What reason is assigned for making it a "rider" on THE NOW PENDING appropriation bill, in the present LONG SESSION of Congress?

IV

The Department's Persistence in Its Old Claim of Overpay to the Railroads for Mail Transportation

WHAT THE DEPARTMENT SAYS

Although the facts would warrant a reduction of railway mail compensation, the Post Office Department has not advocated this action. (Page 8.)

THE ANSWER

The FACTS are these:

In 1901, the Wolcott-Loud Congressional Commission reported that the railroads were not THEN overpaid and recommended against any reduction in rates. Congress afterward twice reduced the rates by law and the Department made a third reduction by an executive order.

In 1913 Dr. M. O. Lorenz, Associate Statistician of the Interstate Commerce Commission, estimated that the railroads were underpaid certainly more than \$5,000,000 per year.

In May, 1914, Louis D. Brandeis reported to the Interstate Commerce Commission that mail transportation was "clearly unremunerative."

In August, 1914, the Joint Congressional Committee on Railway Mail Pay recommended an ADVANCE of \$3,000,000 per year in the railroads' pay, with relief from the messenger services.

The Department says it does not now advocate a reduction in pay; but the Department DOES advocate the Moon bill, and the sponsor of that bill has said in Congress that its purpose was to effect a large further reduction in the pay of the railroads.

The Attempt to Disguise the Grant of the Rate-Making Power to the Postmaster General

WHAT THE DEPARTMENT SAYS

The proposed law [the Moon bill] authorizes the Postmaster General to pay not exceeding the rates specified in it. . . . (Page 8.)

In every law enacted by Congress on the subject of railway mail pay, since Congress first legislated seventy-seven years ago in regard to the carriage of mails on railroads (July 7, 1838), the Postmaster General has been given free and full power to contract with a railroad for the carriage of mails at any rate within the maximum rates named in the several laws if he should be able to do so. (Page 9.)

THE ANSWER

The present law, it is quite true, authorizes the Postmaster General to CONTRACT with the railroads for the transportation of the mails, and limits the amounts he may OFFER TO PAY by the use of the words "not exceeding" in connection with the various rates specified.

The Moon bill, however, would COMPEL the railroads, under penalty of \$5000 fine per day for each refusal, to carry the mails AT THE RATES FIXED BY THE POSTMASTER GENERAL, "not exceeding" those named in the bill. This is in no way similar to the present law, which DOES NOT COMPEL the railroads to accept the Postmaster General's terms. If the service is to be made compulsory by law, instead of a matter of free contract, a disinterested branch of the Government should, in fairness, fix the rates. No one would defend a law empowering the Postmaster General to COMPEL manufacturers to sell his Department supplies for whatever prices he might choose to pay.

The Attempt to Justify the Grant of the Rate-Making Power to the Postmaster General

WHAT THE DEPARTMENT SAYS

The history of the [postal] service for the last forty years sufficiently refutes the charge that the inclusion of the words not exceeding will give the Postmaster General power that he would use in an autocratic or unfair manner. (Page 9.)

THE ANSWER

The railroads have never asserted that the present Postmaster General—or any Postmaster General—intended to use in an autocratic or unfair manner the powers which the Moon bill would confer. But they have many times asserted, and here reiterate, that these powers COULD be so used, and if they are not to be so used, no reason exists why the Department should seek them or why Congress should grant them.

WHAT THE DEPARTMENT SAYS

If rates [for railway mail transportation] were absolutely fixed, the Government would be compelled to use the short line between the large mailing centers and could not give the competing roads having longer lines the privilege, as is done now, of hauling a part of the mails at the rate for the short line. (Page 9.)

THE ANSWER

This is a very trivial matter. It applies only to 21 mail routes out of a total of 2484. The amount saved to the Government is only one-half of one per cent. of the total railway mail pay. The Joint Congressional Committee on Railway Mail Pay in its bill, which proposed FIXED rates, included, in Section 1, a provision for equalization between common points where one railway line was shorter than another.

If the Postmaster General wishes to continue the system of free contract, he should advocate retention of the present law, which amply provides for it.

WHAT THE DEPARTMENT SAYS

Also, if the rates [for railway mail transportation] were inflexible there would be innumerable instances in the conduct of the service involving disputes between the railroad companies and the Department as to the precise amount due for service. . . . (Page 9.)

THE ANSWER

The meaning of this statement is very obscure. If the rates were definitely fixed, there could be no dispute as to what was due the railroads for any given service. On the contrary, if the rates were left discretionary with one of the parties to the transaction, there would be unlimited differences and disputes, and possibly legal proceedings.

VII

The Post Office Department's Attempt to Make the Railroads Appear Better Paid for Mail than for Express Transportation

WHAT THE DEPARTMENT SAYS

This tremendous burden of service [the parcel post, estimated by the Department at 1,000,000,000 parcels per year] has been successfully assumed by the postal establishment and is being performed at a margin of profit for the Government, notwithstanding the inordinately heavy transportation costs—at times amounting to double the transportation costs borne by the express companies upon a great part of their traffic. (Page 10.)

WHAT THE DEPARTMENT SAYS

Upon the majority of these great mail routes, mail and express transportation conditions are practically identical. The cost to the railroads of the incidental services rendered in transporting the mails on these routes is inconsiderable as compared with the great disparity in the returns from the two services. (Page 10.)

THE ANSWER

The entire question of the earnings of the railroads from mail and express transportation was investigated by the Joint Congressional Committee on Railway Mail Pay, which reached this conclusion:

"WE ARE COMPELLED TO REJECT THE DEPARTMENT'S ATTEMPT TO SHOW HIGHER RELATIVE RAILROAD EARNINGS FROM MAIL AS RECKLESS AND MISLEADING." (Report of August 31, 1914, page 93.)

In 1914, the last year for which complete figures are obtainable, the railroads received \$55,000,000 for carrying mail and \$75,500,000 for carrying express traffic.

THE ANSWER

The Joint Congressional Committee on Railway Mail Pay said:

"The express service undoubtedly costs the railroads less than the mail per car-mile. . . .

"Express matter is handled at all times by express employees. A railroad company not only handles the mail at and in stations, but in a great many instances bears the expense of transporting mail between the station and the post office. . . .

"Mail must be carried on all trains, including the fast trains, while express matter is limited in frequency and speed of service.

"Express cars are of simple construction, with practically no furnishing and require little lighting. Mail cars must be of special construction, must be fit-

ted with racks for holding mail bags and cases for distribution of letters en route. The best practicable lighting is also required. . . .

"Postal employees are carried free on railroads while on official business, whether connected with railroad mail service or not. Transportation of express employees is reciprocated by free services rendered by the express companies for the railroads.

"There are other differences which make the express service less burdensome or expensive to the railroads than the mail service. The foregoing enumeration is sufficient, however, to show justification for the statement that a comparison of rates without a comparison of service rendered is lacking in sincerity." (Report of August 31, 1914, pages 90 and 91.)

THE ANSWER

WHAT THE DEPARTMENT SAYS
The railroads are receiving from the Government amounts which, for hauls of any considerable length, exceed by about two to one the amounts they receive from the express companies for like and similar service. (Page 10.)

On **ALL** hauls of moderate length, over which the great bulk of the mails are carried, the rates received by the railroads from mail transportation are lower than those they receive for carrying express traffic. The express companies pay the railroads 50 per cent. of their gross receipts. The Post Office Department pays only 20 per cent.

The assertion that mail and express transportation are "like and similar" is refuted by the findings of the Joint Congressional Committee quoted above.

THE ANSWER

WHAT THE DEPARTMENT SAYS
The Department is authorized by law to ship by mail from November 15th to January 15th empty mail bags ordinarily sent by freight. . . .

During the recent holiday period it was found that shipments could be made by express at a lower rate than by mail between many points and the express service was utilized to a considerable extent. (Page 14.)

VIII

The Department's Claim that the "Space Plan" of Pay for Mail Transportation Could Accurately Measure and Pay for the Service Rendered

WHAT THE DEPARTMENT SAYS

Under the space basis of payment provided in the Moon Bill and in the appropriation bill, and agreed to by the Conference Committee on the latter, fluctuations in service would be promptly recognized and compensated. . . . (Page 11.)

It is the belief of the Department officials, and of many railroad officials as well, that the space plan would enable all service furnished according to the needs to be properly compensated; in other words, the Department would pay for what it receives, and the railroads would receive pay for all service furnished. (Page 11.)

THE ANSWER

It would be hard to express in more precise language what the "space plan" would NOT do.

Under the space plan, one railroad would carry one ton, another ten tons and another twenty tons of mail, the same distance, for the same pay. On many routes, it would be possible for the Department to double, treble or quadruple the mail tonnage which the railroads would be required to haul, WITHOUT PAYING ONE ADDITIONAL CENT FOR THE EXTRA SERVICE.

The assertion that many railroad officers believe in the equity of the space plan is directly refuted by the unanimity of the railroads in protesting against its injustice before the Committees of Congress and the public.

IX

The Five "Merits" of the "Space Basis" of Pay for Railway Mail Transportation with Which the Department's Pamphlet Closes

WHAT THE DEPARTMENT SAYS

[The space basis] Eliminates troublesome and expensive weighing. (Page 16.)

THE ANSWER

It would eliminate NECESSARY weighing, and would thus destroy all check upon the disbursements made by the Department for service rendered.

Aside from that, the Department cannot justly refuse to pay the railroads accurately for their services on the ground that it is troublesome and expensive to do so.

WHAT THE DEPARTMENT SAYS

[The space basis] Provides a system of rates definite and understandable. (Page 16.)

THE ANSWER

The proposed "space plan" consists of "LINE RATES" for full cars, half cars, quarter cars and for seven linear feet and three feet of space, respectively, in baggage cars, plus various "INITIAL rates" and "TERMINAL rates" applicable to each, and all variable at the will of the Postmaster General. Is this easily understandable?

The railroads want the weight basis —payment for the pounds or tons they carry.

WHAT THE DEPARTMENT SAYS

[The space basis] Utilizes facilities paid for to maximum capacity. (Page 16.)

THE ANSWER

This statement should be corrected to read as follows: "Utilizes facilities ONLY PARTLY paid for to their MAXIMUM capacity." The car mile rate in the Moon bill is based on the present average loading of about $2 \frac{1}{3}$ tons per car. This would not be a fair rate for carrying 10 tons or 20 tons in a car.

WHAT THE DEPARTMENT SAYS

[The space basis] Pays for service actually rendered and for space furnished.
(Page 16.)

THE ANSWER

It does not pay at all for service rendered, AS IT IS NOT BASED UPON SERVICE RENDERED, which is the weight of mail carried and the distance it is carried.

Car space is not service. It is a facility for rendering service. It is perfectly proper for the Department to require the railroads to furnish it EXTRA car space for its own special purposes, such as for traveling post offices—provided, of course, it pays the railroads fairly for such extra facilities.

But it is NOT proper for the Department to requisition car space in the railroads' trains at inadequate rates and then use that space for carrying on a commercial transportation business, through the heavy parcel post, in competition with the railroads.

WHAT THE DEPARTMENT SAYS

[The space basis] Will enable the Department to proceed with its plans for the expansion of the parcel post.
(Page 16.)

THE ANSWER

The railroads have always been disposed to do everything in their power to assist the Government in making the parcel post of the highest possible utility to the public.

But they most earnestly believe that they are entitled to be fairly paid for the service they render, or, in other words, FOR WHAT THEY CARRY. They would not be so paid under the terms of the Moon bill, or under the "space plan" of pay, which absolutely ignores the weight of the traffic carried.

END OF
TITLE